

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name St. Ignace Township	County Mackinac
Audit Date 3/31/05	Opinion Date 9/6/05	Date Accountant Report Submitted to State: 09/30/2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

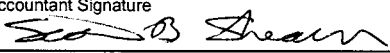
1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).	✓		

Certified Public Accountant (Firm Name) Hill, Schroderus & Co., LLP			
Street Address 923 Spring Street	City Petoskey	State MI	ZIP 49770
Accountant Signature 		Date 09/29/2005	

**FINANCIAL REPORT
ST. IGNACE TOWNSHIP
MARCH 31, 2005**

**ST. IGNACE TOWNSHIP
FINANCIAL REPORT
March 31, 2005**

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**ST. IGNACE TOWNSHIP
FINANCIAL REPORT
March 31, 2005**

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September 6, 2005

Independent Auditors' Report

Township Board
St. Ignace Township
Mackinac County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activity, each major fund and the aggregate remaining fund information of St. Ignace Township, Michigan, as of and for the year ended March 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activity, each major fund and the aggregate remaining fund information of St. Ignace Township, as of March 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of April 1, 2004.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 6, 2005 on our consideration of the Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information, as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise St. Ignace Township's basic financial statements. The other supplemental information, as listed in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of St. Ignace Township. The other supplementary information and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Hill, Schroeder & Co.

CERTIFIED PUBLIC ACCOUNTANTS
Petoskey, Michigan

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906-643-9307

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Sheryl Schairer, Treasurer
906-643-9145

Steven Campbell, Trustee
906-643-7536

Donald Schairer, Trustee
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Management's Discussion and Analysis

Overview of the Basic Financial Statements

St. Ignace Township's basic financial statements include government-wide statements, fund financial statements and notes to the financial statements. This report also contains required and other supplemental information in addition to the basic financial statements. Because this is the first year of implementation of GASB Statement No. 34, prior year numbers are not presented within the Management's Discussion and Analysis. A comparative analysis will be provided in future years when prior year information is available.

Government-wide Financial Statements

The government-wide financial statements report information on all of the Township's non-fiduciary funds. The government-wide statements are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The Statement of Net Assets displays all of the Township's assets and liabilities, with the difference reported as *net assets*. All long-term assets and debt obligations are presented.

The Statement of Activities focuses on the gross and net cost of the various functions within the Township (general government, public safety, public works, etc.), which are supported by the Township's general revenues (property taxes, state shared revenues, etc.).

Fund Financial Statements

The fund financial statements report on the governmental funds and proprietary fund, with an emphasis on major funds. Major funds are determined by the level of activity within the various funds.

The focus of the governmental fund financial statements is on the sources and uses of funds during the current year.

The proprietary fund financial statements present information as it would appear for a private-sector business.

St. Ignace Township is an Equal Opportunity Provider and Employer. Complaints of discrimination should be sent to: USDA, Director of Civil Rights, Washington D.C. 20250-9410.

The fiduciary fund is also presented, separate from the governmental funds, due to the fact that these assets do not represent assets of the Township. These assets are not presented as part of the government-wide financial statements.

St. Ignace Township maintains 6 individual governmental funds. Information is presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund and Road Improvement Fund. These are the governmental funds which are considered to be major funds.

Notes to the Financial Statements

The notes provide additional information which is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Government-wide Financial Analysis

The table below summarizes the Township's net assets as of March 31, 2005:

St. Ignace Township Statement of Net Assets March 31, 2005			
	Governmental Activities	Business-Type Activity	Total
Assets			
Current and other assets	\$ 740,677	\$ (13,932)	\$ 726,745
Capital assets - net of accum. dep.	123,314	1,843,209	1,966,523
Total assets	<u>\$ 863,991</u>	<u>\$ 1,829,277</u>	<u>\$ 2,693,268</u>
Liabilities			
Current liabilities	18,877	22,277	41,154
Bonds payable, long-term portion	-	643,000	643,000
Total liabilities	<u>18,877</u>	<u>665,277</u>	<u>684,154</u>
Net Assets			
Investment in capital assets net of related debt	123,314	1,093,954	1,217,268
Restricted	-	70,046	70,046
Unrestricted	721,800	-	721,800
Total net assets	<u>845,114</u>	<u>1,164,000</u>	<u>2,009,114</u>
Total liabilities and net assets	<u>\$ 863,991</u>	<u>\$ 1,829,277</u>	<u>\$ 2,693,268</u>

At the end of the fiscal year, St. Ignace Township is able to report positive balances in all categories of net assets. The first portion of the Township's net assets is its investment in capital assets (land, buildings/building improvements, and equipment), less any related debt used to acquire those assets that is still outstanding. The Township uses these capital assets in providing services; consequently, these assets are not available for future spending.

The restricted net assets represent amounts limited for spending on construction of the new sewer system.

The remaining portion of net assets – unrestricted net assets – may be used at the Township's discretion to meet ongoing obligations.

The results for the Township as a whole are reported in the Statement of Activities, which is summarized below:

**St. Ignace Township
Statement of Activities
Year Ended March 31, 2005**

	<u>Governmental Activities</u>	<u>Business-Type Activity</u>	<u>Total</u>
Revenue			
Program revenue:			
Charges for services	\$ 5,679	\$ -	\$ 5,679
General revenue:			
Property taxes	89,187	-	89,187
Federal revenues	17,182	-	17,182
State shared revenues	75,231	-	75,231
Local revenues	20,261	-	20,261
Interest	6,887	-	6,887
Federal grants	-	1,001,390	1,001,390
State grants	-	7,610	7,610
Other	9,682	155,000	164,682
	<u>224,109</u>	<u>1,164,000</u>	<u>1,388,109</u>
Total revenues			
	<u>224,109</u>	<u>1,164,000</u>	<u>1,388,109</u>
Function/Program Expenses			
General government	82,852	-	82,852
Public safety	33,921	-	33,921
Public works	74,457	-	74,457
Recreation and cultural	10,236	-	10,236
Depreciation (unallocated)	5,228	-	5,228
	<u>206,694</u>	<u>-</u>	<u>206,694</u>
Total expenses			
	<u>206,694</u>	<u>-</u>	<u>206,694</u>
Change in net assets	17,415	1,164,000	1,181,415
Net assets - beginning of year	822,783	-	822,783
Prior period adjustment	4,916	-	4,916
	<u>4,916</u>	<u>-</u>	<u>4,916</u>
Net assets - end of year	<u>\$ 845,114</u>	<u>\$ 1,164,000</u>	<u>\$ 2,009,114</u>

As reported above, the Township recorded \$206,694 of expenses. The Township's governmental activities were funded primarily with property tax revenues. State shared revenues, Indian revenues, and National Forest revenues were other notable sources. Federal grants, state grants, and Indian revenues funded the sewer construction project.

The Township experienced an increase in net assets of \$1,181,415.

Business-Type Activity Financial Analysis

As of year end, the Township's business-type activity reported total net assets of approximately \$1,164,000, which is \$1,164,000 more than the beginning of the year. The increase was due to continuing construction of the sewer system.

The Township's Funds

The analysis of the Township's major funds begins on page 5. As of year end, the Township governmental funds reported a combined fund balance of approximately \$721,800, which is \$11,801 more than the beginning of the year. The increase was mainly due to General Fund revenues exceeding expenditures by about \$18,000. Also note that Recreation Fund expenditures exceeded revenues by approximately \$10,000 due to no tax assessment in the current year.

General Fund Budgetary Highlights

Final budgeted revenues and expenditures remained unchanged from original budgeted amounts. Approximately \$10,000 of the contingency was tapped for increases in budgeted expenditures.

Final actual revenues were slightly over final budgeted amounts. Property tax revenues were higher than budgeted and state shared revenues were lower than anticipated.

Final actual expenditures were less than final budgeted amounts. The largest budget variances were due to lower election costs, ambulance service costs and fire protection costs.

Road Improvement Fund Budgetary Highlights

Final budgeted revenues and expenditures remained unchanged from original budgeted amounts.

Final actual revenues were about \$17,000 greater than final budgeted amounts. National Forest revenues were not included in the budget and PILT monies were greater than expected.

Final actual expenditures were also greater than budgeted amounts. The largest budget variance was due to unanticipated construction costs related to Mackinac Trail.

Capital Assets and Debt Administration

At March 31, 2005 the Township had \$1,966,523 invested in capital assets. The following table summarizes the capital asset activity for the year:

St. Ignace Township Year Ended March 31, 2005

	<u>April 1, 2004</u>	<u>Additions</u>	<u>Disposals</u>	<u>March 31, 2005</u>
Land	\$ 5,550	\$ -	\$ -	\$ 5,550
Construction in progress	215,871	1,627,338	-	1,843,209
Buildings and improvements	129,348	9,643	-	138,991
Equipment	12,714	6,000	-	18,714
	<u>363,483</u>	<u>1,642,981</u>	<u>-</u>	<u>2,006,464</u>
Total capital assets	363,483	1,642,981	-	2,006,464
Less accum. depreciation	<u>(34,712)</u>	<u>(5,229)</u>	<u>-</u>	<u>(39,941)</u>
Net capital assets	<u>\$ 328,771</u>	<u>\$ 1,637,752</u>	<u>\$ -</u>	<u>\$ 1,966,523</u>

The Township has \$914,391 in commitments remaining at year-end related to the sewer system construction. The bonds outstanding at year end are revenue bonds related to this project. Future sewer fund revenues will be utilized for repayment of these bonds.

Financial Contact

The Township's financial statements are designed to present users with a general overview of the Township's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be directed towards the Township Treasurer, St. Ignace Township.

ST. IGNACE TOWNSHIP
Statement of Net Assets
March 31, 2005

	Governmental Activities	Business-Type Activity	Total
<u>Assets</u>			
Current Assets			
Cash	\$ 496,747	\$ 46	\$ 496,793
Investments	119,699	-	119,699
Receivables:			
Taxes	14,080	-	14,080
Other	-	70,000	70,000
Internal balances	83,978	(83,978)	-
Due from fiduciary fund	20,555	-	20,555
Due from other governmental units	5,618	-	5,618
	<u>740,677</u>	<u>(13,932)</u>	<u>726,745</u>
Total current assets			
Noncurrent Assets			
Construction in progress	-	1,843,209	1,843,209
Land	5,550	-	5,550
Depreciable assets	157,705	-	157,705
Less: accumulated depreciation	(39,941)	-	(39,941)
	<u>123,314</u>	<u>1,843,209</u>	<u>1,966,523</u>
Total noncurrent assets			
Total assets	<u>\$ 863,991</u>	<u>\$ 1,829,277</u>	<u>\$ 2,693,268</u>
<u>Liabilities and Net Assets</u>			
Current Liabilities			
Accounts payable	\$ 7,837	\$ 9,396	\$ 17,233
Due to other governmental units	11,040	-	11,040
Accrued interest	-	6,881	6,881
Bonds payable, due within one year	-	6,000	6,000
	<u>18,877</u>	<u>22,277</u>	<u>41,154</u>
Total current liabilities			
Noncurrent Liabilities			
Bonds payable	-	643,000	643,000
	<u>18,877</u>	<u>665,277</u>	<u>684,154</u>
Total liabilities			
Net Assets			
Invested in capital assets, net of related debt	123,314	1,093,954	1,217,268
Restricted	-	70,046	70,046
Unrestricted	721,800	-	721,800
	<u>845,114</u>	<u>1,164,000</u>	<u>2,009,114</u>
Total net assets			
Total liabilities and net assets	<u>\$ 863,991</u>	<u>\$ 1,829,277</u>	<u>\$ 2,693,268</u>

ST. IGNACE TOWNSHIP
Statement of Activities
For the Year Ended March 31, 2005

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activity	Total
Governmental activities:							
General government	\$ 82,852	\$ 5,679	\$ -	\$ -	\$ (77,173)	\$ -	\$ (77,173)
Public safety	33,921	-	-	-	(33,921)	-	(33,921)
Public works	74,457	-	-	-	(74,457)	-	(74,457)
Recreation and cultural	10,236	-	-	-	(10,236)	-	(10,236)
Unallocated depreciation	5,228	-	-	-	(5,228)	-	(5,228)
Total governmental activities	206,694	5,679	-	-	(201,015)	-	(201,015)
Business-type activity:							
Sewer	-	-	-	-	-	-	-
Total primary government	\$ 206,694	\$ 5,679	\$ -	\$ -	(201,015)	-	(201,015)
General revenues:							
Property taxes					89,187	-	89,187
Federal revenues					17,182	-	17,182
State-shared revenues					75,231	-	75,231
Local revenues					20,261	-	20,261
Interest and investment earnings					6,887	-	6,887
Federal grants					-	1,001,390	1,001,390
State grants					-	7,610	7,610
Miscellaneous					9,682	155,000	164,682
Total general revenues					218,430	1,164,000	1,382,430
Change in net assets					17,415	1,164,000	1,181,415
Net assets - beginning of year					822,783	-	822,783
Prior period adjustment					4,916	-	4,916
Net assets - end of year					\$ 845,114	\$ 1,164,000	\$ 2,009,114

ST. IGNACE TOWNSHIP
Balance Sheet
Governmental Funds
March 31, 2005

<u>Assets</u>	<u>General</u>	<u>Road Improvement</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash	\$ 218,534	\$ 236,907	\$ 41,306	\$ 496,747
Investments	119,699	-	-	119,699
Taxes receivable	6,818	7,262	-	14,080
Due from other funds	93,836	11,057	-	104,893
Due from other governmental units	5,618	-	-	5,618
Total assets	<u>\$ 444,505</u>	<u>\$ 255,226</u>	<u>\$ 41,306</u>	<u>\$ 741,037</u>
<u>Liabilities and Fund Balances</u>				
Liabilities				
Accounts payable	\$ 2,837	\$ 5,000	\$ -	\$ 7,837
Due to other funds	-	-	360	360
Due to other governmental units	837	-	10,203	11,040
Total liabilities	<u>3,674</u>	<u>5,000</u>	<u>10,563</u>	<u>19,237</u>
Fund balances				
Unreserved, designated for:				
Recreation	-	-	644	644
Water/Fire Hydrant Fund	-	-	30,159	30,159
Building Fund	-	-	(360)	(360)
Unreserved	440,831	250,226	300	691,357
Total fund balances	<u>440,831</u>	<u>250,226</u>	<u>30,743</u>	<u>721,800</u>
Total liabilities and fund balances	<u>\$ 444,505</u>	<u>\$ 255,226</u>	<u>\$ 41,306</u>	<u>\$ 741,037</u>

ST. IGNACE TOWNSHIP
Reconciliation of Governmental Funds Balance Sheet to the
Statement of Net Assets
March 31, 2005

Total Fund Balance - Governmental Funds	\$ 721,800
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Amounts reported for governmental activities in the statement of net assets
are different because:

Governmental funds report capital outlays as expenditures. However,
in the statement of net assets, these assets are capitalized and depreciated
over their estimated useful lives.

Governmental capital assets	163,255
Accumulated depreciation	<u>(39,941)</u>

Net Assets of Governmental Activities	<u>\$ 845,114</u>
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ST. IGNACE TOWNSHIP
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended March 31, 2005

	General	Road Improvement	Other Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$ 41,967	\$ 47,220	\$ -	\$ 89,187
Federal revenues	-	17,182	-	17,182
State revenues	74,426	-	805	75,231
Local revenues	20,261	-	-	20,261
Charges for services	2,715	-	2,964	5,679
Interest and rentals	3,815	2,121	951	6,887
Other	9,285	397	-	9,682
Total revenues	152,469	66,920	4,720	224,109
Expenditures				
Current:				
General government	82,852	-	-	82,852
Public safety	29,801	-	4,120	33,921
Public works	6,177	64,949	3,331	74,457
Recreation and cultural	-	-	10,236	10,236
Capital outlay	15,642	-	-	15,642
Total expenditures	134,472	64,949	17,687	217,108
Excess (deficiency) of revenues over expenditures	17,997	1,971	(12,967)	7,001
Other financing sources (uses)				
Operating transfers in	-	-	2,400	2,400
Operating transfers out	(2,400)	-	-	(2,400)
Total other financing sources (uses)	(2,400)	-	2,400	-
Net change in fund balances	15,597	1,971	(10,567)	7,001
Fund balances - beginning of year	420,318	248,255	41,310	709,883
Prior period adjustment	4,916	-	-	4,916
Fund balances - end of year	\$ 440,831	\$ 250,226	\$ 30,743	\$ 721,800

ST. IGNACE TOWNSHIP
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the
Statement of Activities
For the Year Ended March 31, 2005

Net Change in Fund Balances - Total Governmental Funds	\$ 7,001
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Amounts reported for governmental activities in the statement of activities
are different because:

Governmental funds report capital outlays as expenditures. However,
in the statement of activities, the cost of these assets is allocated over
their estimated useful lives as depreciation.

Expenditures for capital assets	15,642
Current year depreciation	<u>(5,228)</u>

Change in Net Assets of Governmental Activities	<u>\$ 17,415</u>
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ST. IGNACE TOWNSHIP
Statement of Net Assets
Proprietary Fund
March 31, 2005

	Business-Type Activity Enterprise Fund
	Sewer System
	<hr/>
<u>Assets</u>	
Current Assets	
Restricted Cash	\$ 46
Accounts receivable	70,000
	<hr/>
Total current assets	70,046
	<hr/>
Noncurrent Assets	
Construction in progress	1,843,209
	<hr/>
Total assets	\$ 1,913,255
	<hr/> <hr/>
<u>Liabilities and Net Assets</u>	
Current Liabilities	
Accounts payable	\$ 9,396
Interest payable	6,881
Bonds payable, due within one year	6,000
	<hr/>
Total current liabilities	22,277
	<hr/>
Noncurrent Liabilities	
Due to General Fund	83,978
Bonds payable	643,000
	<hr/>
Total noncurrent liabilities	726,978
	<hr/>
Total liabilities	749,255
	<hr/>
Net Assets	
Invested in capital assets, net of related debt	1,093,954
Restricted	70,046
	<hr/>
Total net assets	1,164,000
	<hr/>
Total liabilities and net assets	\$ 1,913,255
	<hr/> <hr/>

ST. IGNACE TOWNSHIP
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Fund
For the Year Ended March 31, 2005

	Business-Type Activity Enterprise Fund
	Sewer System
Nonoperating revenues (expenses)	
Federal grants	\$ 1,001,390
State grants	7,610
Miscellaneous	155,000
	<hr/>
Change in net assets	1,164,000
Total net assets - beginning	<hr/> -
Total net assets - ending	<hr/> \$ 1,164,000 <hr/>

ST. IGNACE TOWNSHIP
Statement of Cash Flows
Proprietary Fund
For the Year Ended March 31, 2005

	Business-Type Activity Enterprise Fund
	Sewer System
Cash flows from capital and related financing activities	
Acquisition and construction of capital assets and contracts payable	\$ (1,621,185)
Payments to General Fund	(122,867)
Bond proceeds	649,000
Grants received	1,009,000
Net cash provided by miscellaneous non-operating activities	<u>85,000</u>
Net cash provided (used) for capital and related financing activities	<u>(1,052)</u>
Net increase (decrease) in cash	(1,052)
Cash, beginning	<u>1,098</u>
Cash, ending	<u><u>\$ 46</u></u>
Classified as:	
Restricted assets	<u><u>\$ 46</u></u>

ST. IGNACE TOWNSHIP
Statement of Fiduciary Net Assets
Fiduciary Fund
March 31, 2005

	<u>Agency Fund</u>
<u>Assets</u>	
Cash	\$ 142,126
Due from State of MI (SET)	<u>3,112</u>
	<u>\$ 145,238</u>
<u>Liabilities</u>	
Due to other funds	\$ 20,555
Due to Hospital Authority	7,338
Due to County	24,395
Due to Schools	88,648
Other liabilities	<u>4,302</u>
Total liabilities	<u>\$ 145,238</u>

ST. IGNACE TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
March 31, 2005

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

St. Ignace Township operates under an elected Board of Trustees and provides services to its residents in many areas including: fire protection, public safety and improvements, planning and zoning, recreation and general administrative services.

The Township's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The Township's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. Proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. Pronouncements of the FASB issued after November 30, 1989 are not applied in the preparation of the financial statements of the proprietary funds in accordance with GASB Statement No. 20. The following is a summary of the significant policies used by the St. Ignace Township:

REPORTING ENTITY

The accompanying financial statements have been prepared in accordance with criteria established by GASBS No. 14, and amended by GASBS No. 39. GASBS 14 states that the primary basis for determining whether outside agencies and organizations should be considered component units of the Township and included in the Township's financial statements is financial accountability. Financial accountability has been defined as follows: A primary government has substantive authority to appoint a voting majority of the component unit's board; the primary government is either able to impose its will on a component unit or there is a potential for the component unit to provide specific financial burdens on the primary government; and the component unit is fiscally dependent on the primary government. The Township has no component units.

BASIC FINANCIAL STATEMENTS – OVERVIEW

The Township's basic financial statements include both government-wide (reporting the Township as a whole) and fund financial statements (reporting the Township's major funds). Both the government-wide and the fund financial statements categorize primary government activities as either governmental or business-type. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE STATEMENTS

The government-wide financial statements report information on all of the nonfiduciary activities of the primary government. As a general rule the effect of interfund activity, such as overhead costs, has been eliminated from these statements. The government-wide focus is more on operational efficiency, the sustainability of the Township as an entity and the change in the Township's net assets resulting from the current year's activities.

NOTE TO FINANCIAL STATEMENTS – CONTINUED

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE STATEMENTS –CONTINUED

In the government-wide Statement of Net Assets, both the governmental and business-type activity are presented on a consolidated basis. Due to the full accrual, economic resource basis, all long-term assets and receivables, as well as long-term debt and obligations are recognized. The Township's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The Township first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. This statement reduces gross expenses (including depreciation) by related program revenues, which include charges for services, operating grants and capital grants.

The program revenues must be directly associated with the function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenue.

BASIC FINANCIAL STATEMENTS – FUND FINANCIAL STATEMENTS

The financial transactions of the Township are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund balances, revenues and expenditures/expenses. The focus of the fund financial statements is upon the determination of financial position and changes in financial position (sources, uses, and balances of financial resources).

Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The emphasis in the fund financial statements is on the major funds in the governmental or business-type categories. GASBS No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of the governmental and proprietary funds) for the determination of major funds.

Governmental Funds

The following is a description of the major governmental funds of the Township:

General Fund – The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

Road Improvement Fund – The Road Improvement Fund is used for Township road improvements and maintenance. Primary financing is through a specific annual property tax levy and federal grants.

NOTE TO FINANCIAL STATEMENTS – CONTINUED

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

BASIC FINANCIAL STATEMENTS – FUND FINANCIAL – CONTINUED

In addition, the Township reports the following non-major governmental funds:

Special Revenue Funds

Recreation Fund – The Township performs record keeping functions for this fund while the Township Board approves all transactions. Primary financing is through a specific annual property tax levy.

Liquor Control Fund – The Township performs record keeping functions for this fund while the Township Board approves all transactions. Primary financing is through State of Michigan revenue sharing.

Water/Fire Hydrant Fund – The Township performs record keeping functions for this fund while the Township Board approves all transactions. Primary financing is through interest revenue and General Fund transfers.

Building Fund – The Township performs record keeping functions for this fund while the Township Board approves all transactions. Primary financing is through building permit fees.

Proprietary Fund

The focus of the proprietary fund is upon the determination of operating income, changes in fund net assets, financial position, and cash flows, which is similar to for-profit businesses. The following is a description of the major proprietary fund of the Township:

Sewage Disposal Utility Fund – The Sewer Fund is an Enterprise Fund. The fund will be financed and will operate in a manner similar to a private enterprise. The intent is that costs (expenses, including depreciation) of providing sewer service to the general public will be recovered through user charges. The Township sewer system began operating in June, 2005.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the Sewer Fund are charges to customers for sales and services. Operating expenses for this fund include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Fiduciary Fund

The fiduciary fund is used to account for assets held by the City in a trustee or agent capacity. Since, by definition, these assets are being held for the benefit of a third party (other local governments, private parties, pension participants, etc.) and cannot be used to address activities or obligations of the government, this fund is not incorporated into the government-wide statements.

Agency funds use the accrual basis of accounting, however report only assets and liabilities.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Agency Fund – The Agency Fund accounts for the collection and payment of property tax levies.

BASIS OF ACCOUNTING

Basis of accounting refers to the point at which revenues and expenditures/expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide statements are reported using the economic resources measurement focus and the full accrual basis of accounting, which incorporates long-term assets and receivables as well as long-term debt and obligations. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Expenditures generally are recorded when a liability is incurred.

All proprietary funds and agency funds are accounted for using the full accrual basis of accounting. Their revenues are recognized when they are earned and their expenses are recognized when they are incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded in the accounting period in which they are earned, as long as they are both available and measurable. Revenues are available when received within the current period or within 60 days after year end. Expenditures are recorded in the accounting period in which the liability is incurred, as under full accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY

Cash and Cash Equivalents

Cash and cash equivalents are considered to be cash on hand and demand deposits.

Interfund Receivables/Payables

Outstanding balances between funds are reported as "due to/from other funds" on the balance sheet of the fund financial statements and as "internal balances" on the Statement of Net Assets of the government-wide financial statements.

Capital Assets

Capital assets, which include property, buildings, leasehold improvements, and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are recorded by the Township when the initial individual costs are equal to or greater than \$1,000 and an estimated useful life in excess of 2 years for all asset types except for land. Land is capitalized if cost exceeds \$1.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY – CONTINUED

Capital Assets – Continued

Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, buildings and equipment are depreciated using the straight-line method over the following useful lives:

Buildings	40 to 60 years
Building Improvements	20 to 60 years
Sewer Systems	34 to 40 years
Office Equipment & Furniture	5 to 10 years
Leasehold Improvements	20 to 40 years

Long-Term Obligations

In the government-wide financial statements and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities.

In the fund financial statements, governmental fund types recognize the face amount of debt issued as other financing sources.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

COMPARATIVE DATA

Comparative data for the prior year is not included in the Township's financial statements.

ACCOUNTING CHANGE

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Effective April 1, 2004, the Township implemented the provisions of GASB No. 34. Changes to the Township's financial statements as a result of GASB No. 34 are as follows:

- A Management's Discussion and Analysis (MD&A) section providing analysis of the Township's overall financial position and results of operations.
- Government-wide financial statements (Statement of Net Assets and Statement of Activities) prepared using full accrual accounting for all of the Township's activities.
- A change in the fund financial statements with a focus on major funds.
- Capital assets in the governmental activities column of the Statement of Net Assets include assets which were previously reported in the General Fixed Asset Account Group.

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all Governmental funds of the Township except for the agency funds. Budgetary control is legally maintained at the fund level.

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to April 1, the Supervisor submits to the Township Board a proposed operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures/expenses and the means of financing them.
2. A public hearing is conducted at the Township Hall to obtain taxpayer comments.
3. Prior to April 1, the fund budgets are legally enacted through passage of an appropriation act.
4. The budget is adopted at the fund level consistent with generally accepted accounting principles. Budgeted amounts are as originally adopted, or as amended by the Township Board during the year, and lapse at year-end.

The Township did not have an excess of expenditures over appropriations for the General Fund or its Special Revenue Funds.

Fund Deficits

St. Ignace Township has an accumulated fund balance deficit in the Building Fund. As the Township did not file a deficit elimination plan within 90 days of year-end, it is in violation of Public Act 275 of 1980.

The Township Board passed resolutions on July 6 and August 11, 2005 to raise building permit fees in order to eliminate future deficits.

NOTE 3: CASH AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the Township to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The Township is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE 3: CASH AND INVESTMENTS – CONTINUED

Cash Deposits

At March 31, 2005, the carrying amount of the Township's deposits was \$638,919 and the bank balance was \$639,207.

Pooling of Cash - The Township pools cash to maximize its investment return:

<u>Fund</u>	<u>Amount</u>
Primary Government	
General	\$ 215,395
Road Improvement	176,985
Other Nonmajor Governmental Funds	<u>11,148</u>
Total pooled cash	403,528
Cash not held in pooled accounts:	
Primary government	93,265
Fiduciary Funds	<u>142,126</u>
Total cash	<u><u>\$ 638,919</u></u>

Federal Depository Insurance

Of the above balance in cash, \$201,522 was covered by federal depository insurance. The remaining amount was uninsured and uncollateralized. The Township may experience significant fluctuations in deposit balances through the year.

Investments are stated at market value. Investments held at a financial institution can be categorized according to three levels of risk. The three levels of risk are:

- Category 1 Investments that are insured, registered or held by the entity or by its agent in the Township's name.
- Category 2 Investments that are uninsured and unregistered held by the counterparty's trust department or agent in the Township's name.
- Category 3 Uninsured and unregistered investments held by the counterparty, its trust or its agent, but not in the township's name.

The Township has a certificate of deposit with a market value of \$119,699 at March 31, 2005. This investment is classified by risk level as Category 1.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE 4: **PROPERTY TAXES**

Property taxes are levied and become a lien on property as of July 1 on the State taxable valuation of property in the Township as of the preceding December 31. The Township bills and collects its own property taxes and also collects taxes for other governmental units. Collection of other governmental units' taxes and remittance of them to the units are accounted for in the Agency Fund. Property taxes are recognized as revenue in the year for which they are levied.

The Township is permitted by charter to levy taxes, subject to State Headlee and Truth in Taxation provisions, up to \$1.50 per \$1,000 of taxable valuation for general governmental services and for the payment of principal and interest on general obligation long-term debt. The 2004 State taxable valuation of the St. Ignace Township totaled \$24,135,537.

The tax rate for the year ended March 31, 2005, was as follows:

<u>Purpose</u>	<u>Rate/Taxable Valuation</u>
General governmental services	\$1.4499 per \$1,000
Road improvements	\$1.9772 per \$1,000

NOTE 5: **DESIGNATIONS OF FUND BALANCE**

Designated:

<u>Fund</u>	<u>Amount</u>
Recreation	\$ 644
Water/Fire Hydrant	30,159

NOTE 6: **RESTRICTED ASSETS**

The balance of the restricted assets account in the enterprise fund is as follows:

Unspent grant proceeds	\$ 46
Unspent contributions	<u>70,000</u>
Total restricted assets	<u>\$70,046</u>

The Township will first apply restricted resources when expenses are incurred for purposes which both restricted and unrestricted assets are available.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE 7: **INTERFUND RECEIVABLES AND PAYABLES**

The interfund balances within the primary government are as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 93,836	\$ -
Road Improvement Fund	11,057	-
Building Fund	-	360
Sewer Fund	-	83,978
Fiduciary Fund	-	20,555
	<u>\$ 104,893</u>	<u>\$ 104,893</u>

The interfund balance between the Building Fund and General Fund is for fund operations. The interfund balance between the Sewer Fund and General Fund is for interim project financing. The remaining balances are for property taxes.

NOTE 8: **INTERFUND TRANSFERS**

Operating transfers within the primary government are as follows:

	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ -	\$ 2,400
Water/Fire Hydrant Fund	<u>2,400</u>	<u>-</u>
	<u>\$ 2,400</u>	<u>\$ 2,400</u>

The operating transfers are for general operations of the Water/Fire Hydrant Fund.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE 9: CAPITAL ASSETS

Capital asset activity of the Township's primary government for the current year was as follows:

	<u>Balance April 1, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance March 31, 2005</u>
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 5,550	\$ -	\$ -	\$ 5,550
Capital assets being depreciated:				
Buildings and improvements	129,348	9,643	-	138,991
Office equipment and furniture	12,714	6,000	-	18,714
Subtotal	<u>142,062</u>	<u>15,643</u>	<u>-</u>	<u>157,705</u>
Less accumulated depreciation:				
Buildings and improvements	(29,335)	(3,435)	-	(32,770)
Office equipment and furniture	(5,377)	(1,794)	-	(7,171)
Subtotal	<u>(34,712)</u>	<u>(5,229)</u>	<u>-</u>	<u>(39,941)</u>
Net capital assets being depreciated	<u>107,350</u>	<u>10,413</u>	<u>-</u>	<u>117,764</u>
Governmental activities net capital assets	<u>\$ 112,900</u>	<u>\$ 10,413</u>	<u>\$ -</u>	<u>\$ 123,314</u>

	<u>Balance April 1, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance March 31, 2005</u>
Business-type Activity				
Capital assets not being depreciated:				
Construction in progress	<u>\$ 215,871</u>	<u>\$ 1,627,338</u>	<u>\$ -</u>	<u>\$ 1,843,209</u>

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE 9: CAPITAL ASSETS – CONTINUED

Depreciation expense was charged to the primary government as follows:

Governmental Activities

Unallocated	<u>\$ 5,228</u>
-------------	-----------------

Business-type Activity

At year-end, all construction in progress amounts are capitalized. As of March 31, 2005, \$6,881 of interest was capitalized as part of construction in progress.

Proprietary Fund Type Property, Plant and Equipment

Proprietary fund type property, plant and equipment at March 31, 2005 are summarized as follows:

	<u>Enterprise</u>
Construction in progress	<u>\$ 1,843,209</u>

NOTE 10: LONG-TERM DEBT

The following is a summary of the Township's long-term debt transactions for the year ended March 31, 2005:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amount Due Within One Year</u>
PRIMARY GOVERNMENT					
Business-type Activity					
Bonds and notes payable:					
Revenue bonds					
2005 Sewage Disposal	<u>\$ -</u>	<u>\$ 649,000</u>	<u>\$ -</u>	<u>\$ 649,000</u>	<u>\$ 6,000</u>

Long-term liabilities payable at March 31, 2005 is composed of the following individual issue:

Business-Type Activity:

\$649,000, 2005 St. Ignace Township Revenue Bonds due in annual installments of \$6,000 to \$34,000 through January 1, 2044; interest at 4.50%.

\$649,000

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE 10: LONG-TERM DEBT – CONTINUED

Business-Type Activity: (CONTINUED)

The annual debt service requirements to maturity for all general and revenue obligation bonds outstanding excluding premium and refunding deferrals, as of March 31, 2005, are as follows:

Year Ending March 31	Business-Type Activity	
	Principal	Interest
2006	\$ 6,000	\$ 26,609
2007	7,000	28,935
2008	7,000	28,620
2009	7,000	28,305
2010	8,000	27,990
2011 - 2015	44,000	134,415
2016 - 2020	54,000	123,615
2021 - 2025	68,000	110,295
2026 - 2030	84,000	93,600
2031 - 2035	105,000	72,900
2036 - 2040	131,000	47,025
2041 - 2044	128,000	14,715
Total	<u>\$ 649,000</u>	<u>\$ 737,024</u>

The revenue bonds were issued on February 3, 2005 to provide funding for the Township sewage disposal system construction. The bonds are callable at the issuer's option beginning on January 1, 2006. Prepayment amounts would consist of principal plus interest accrued to the call date.

NOTE 11: SHORT-TERM DEBT

The \$85,000 note payable at March 31, 2004 was forgiven. There was no other short-term debt activity during the year. The note was originally issued to assist with financing sewer construction.

NOTE 12: PENSION PLAN

The Township provides pension benefits for all of its employees, including board members, meeting certain minimum requirements through a defined contribution plan sponsored by the Municipal Retirement Systems, Inc. Under a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings.

The Township contributes to the Plan; the Plan does not provide for employee contributions.

The Township's contributions to the Plan include a component for current service plus a component for up to 10 years of prior service rendered before April 1, 1991. Contributions for current service are at 12 percent of current compensation. Contributions for prior service are computed at 1 percent of current compensation for each year of prior service.

The Township contributed \$5,571, including \$180 to cover pension administrative expenses, to the Plan during fiscal year 2005. This contribution was based on salaries of \$46,130 while total fiscal 2005 Township payroll was \$48,896. Contributions to the Plan are invested in annuities issued by insurance companies.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE 13: COMMITMENTS

Ambulance Service: The Township has joined with other area townships and the City of St. Ignace to create the "St. Ignace Community Area Ambulance Service." This organization has in turn, contracted with Allied EMS Systems, Inc., to operate ambulance services in the community.

Payments under this contract are required annually at a stipulated rate per person residing in each political unit comprising the contracting group. Each political unit is required to pay its pro-rated share of operating loss (if any), on a quarterly basis.

Payments under this contract were approximately \$11,303 for the year ended March 31, 2005.

Construction: The Township has an active construction project at year-end.

	<u>Contracts at March 31, 2005</u>	<u>Expended to March 31, 2005</u>	<u>Committed</u>
Sewer System	\$ 2,614,200	\$ 1,699,809	\$ 914,391

NOTE 14: RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters.

The Township belongs to the Michigan Township Participating Plan, a public entity risk pool currently operating as a common risk management and insurance program for various municipalities throughout the state. The Township pays an annual premium for its general insurance coverage. The pool is self-sustaining through member premiums and reinsures through commercial companies for 100% of its claims.

The Township continues to carry worker's compensation insurance through the State of Michigan Accident Fund.

NOTE 15: PRIOR PERIOD ADJUSTMENT

A prior period adjustment was made to properly reflect prior year state shared revenue of \$4,916.

REQUIRED SUPPLEMENTARY INFORMATION

ST. IGNACE TOWNSHIP
Budgetary Comparison Schedule
General Fund
For the Year Ended March 31, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over/(Under)
	Original	Final		
Beginning budgetary fund balance	\$ 420,318	\$ 420,318	\$ 420,318	\$ -
Resources (inflows):				
Taxes	33,000	33,000	41,967	8,967
State revenues	83,000	83,000	74,426	(8,574)
Local revenues	20,000	20,000	20,261	261
Charges for services	-	-	2,715	2,715
Interest and rentals	10,000	10,000	3,815	(6,185)
Other	-	-	9,285	9,285
Amounts available for appropriations	566,318	566,318	572,787	6,469
Charges to appropriations (outflows):				
General government:				
Trustees	4,300	4,300	4,084	(216)
Supervisor	12,700	12,900	12,640	(260)
Elections	5,000	5,000	2,174	(2,826)
Assessing	17,100	17,100	15,508	(1,592)
Professional services	6,000	6,186	6,186	-
Clerk	11,300	11,300	11,140	(160)
Board of review	1,500	1,500	1,733	233
Treasurer	15,100	15,100	14,452	(648)
Publishing	500	700	879	179
Building and equipment	2,000	2,000	3,750	1,750
Insurance	4,500	4,636	4,636	-
Other	-	-	5,670	5,670
Contingency	13,150	2,234	-	(2,234)
Total general government	93,150	82,956	82,852	(104)
Public safety:				
Fire protection	21,500	22,900	16,659	(6,241)
Ambulance	20,000	20,000	11,303	(8,697)
Planning & zoning	1,300	1,300	1,839	539
Total public safety	42,800	44,200	29,801	(14,399)
Public works:				
Cemetery	3,000	3,000	775	(2,225)
Street lights	5,000	6,000	5,402	(598)
Total public works	8,000	9,000	6,177	(2,823)
Capital Outlay	2,000	9,794	15,642	5,848
Transfers out	-	-	2,400	2,400
Total charges to appropriations	145,950	145,950	136,872	(9,078)
Ending budgetary fund balance	<u>\$ 420,368</u>	<u>\$ 420,368</u>	<u>\$ 435,915</u>	<u>\$ 15,547</u>

ST. IGNACE TOWNSHIP
Budgetary Comparison Schedule
Road Improvement Fund
For the Year Ended March 31, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Over/(Under)</u>
	<u>Original</u>	<u>Final</u>		
Beginning budgetary fund balance	\$ 248,255	\$ 248,255	\$ 248,255	\$ -
Resources (inflows):				
Taxes	47,000	47,000	47,220	220
Federal revenues	1,000	1,000	17,182	16,182
Interest	2,000	2,000	2,121	121
Other	-	-	397	397
	<u>298,255</u>	<u>298,255</u>	<u>315,175</u>	<u>16,920</u>
Amounts available for appropriations				
	<u>298,255</u>	<u>298,255</u>	<u>315,175</u>	<u>16,920</u>
Charges to appropriations (outflows):				
Public works	<u>50,000</u>	<u>50,000</u>	<u>64,949</u>	<u>14,949</u>
Ending budgetary fund balance	<u>\$ 248,255</u>	<u>\$ 248,255</u>	<u>\$ 250,226</u>	<u>\$ 1,971</u>

OTHER SUPPLEMENTAL INFORMATION

ST. IGNACE TOWNSHIP
Combining Balance Sheet
Nonmajor Governmental Funds
March 31, 2005

<u>Assets</u>	<u>Recreation Fund</u>	<u>Liquor Control Fund</u>	<u>Water / Fire Hydrant Fund</u>	<u>Building Fund</u>	<u>Total</u>
Cash	<u>\$ 10,847</u>	<u>\$ 300</u>	<u>\$ 30,159</u>	<u>\$ -</u>	<u>\$ 41,306</u>
<u>Liabilities and Fund Balances</u>					
Liabilities					
Due to other funds	\$ -	\$ -	\$ -	\$ 360	\$ 360
Due to other governmental units	<u>10,203</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,203</u>
Total liabilities	<u>10,203</u>	<u>-</u>	<u>-</u>	<u>360</u>	<u>10,563</u>
Fund balances					
Designated for Fund Activities	644	-	30,159	(360)	30,443
Unreserved	<u>-</u>	<u>300</u>	<u>-</u>	<u>-</u>	<u>300</u>
Total fund balances	<u>644</u>	<u>300</u>	<u>30,159</u>	<u>(360)</u>	<u>30,743</u>
Total liabilities and fund balances	<u>\$ 10,847</u>	<u>\$ 300</u>	<u>\$ 30,159</u>	<u>\$ -</u>	<u>\$ 41,306</u>

ST. IGNACE TOWNSHIP
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended March 31, 2005

	Recreation Fund	Liquor Control Fund	Water / Fire Hydrant Fund	Building Fund	Total
Revenues					
State revenues	\$ -	\$ 805	\$ -	\$ -	\$ 805
Charges for services	-	-	-	2,964	2,964
Interest and rentals	81	2	861	7	951
Total revenues	81	807	861	2,971	4,720
Expenditures					
Current:					
Public Safety	-	720	3,400	-	4,120
Public Works	-	-	-	3,331	3,331
Recreational and Cultural	10,236	-	-	-	10,236
Total expenditures	10,236	720	3,400	3,331	17,687
Excess (deficiency) of revenues over expenditures	(10,155)	87	(2,539)	(360)	(12,967)
Other financing sources (uses)					
Operating transfers in	-	-	2,400	-	2,400
Net change in fund balances	(10,155)	87	(139)	(360)	(10,567)
Fund balances - beginning of year	10,799	213	30,298	-	41,310
Fund balances - end of year	\$ 644	\$ 300	\$ 30,159	\$ (360)	\$ 30,743



Hill • Schroderus & Co., LLP
Certified Public Accountants & Consultants

September 6, 2005

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

Township Board
St. Ignace Township
Mackinac County, Michigan

We have audited the financial statements of the governmental activities, the business-type activity, each major fund and the aggregate remaining fund information of St. Ignace Township, as of and for the year ended March 31, 2005, which collectively comprise the St. Ignace Township's basic financial statements and have issued our report thereon date September 6, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered St. Ignace Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether St. Ignace Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Township Board, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Hill, Schroderus & Co.

CERTIFIED PUBLIC ACCOUNTANTS
Petoskey, Michigan



September 6, 2005

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133

Township Board
St. Ignace Township
Mackinac County, Michigan

Compliance

We have audited the compliance of St. Ignace Township with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to its major federal program for the year ended March 31, 2005. St. Ignace Township's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of St. Ignace Township's management. Our responsibility is to express an opinion on St. Ignace Township's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about St. Ignace Township's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on St. Ignace Township's compliance with those requirements.

In our opinion, St. Ignace Township complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended March 31, 2005.

Internal Control Over Compliance

The management of St. Ignace Township is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered St. Ignace Township's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, the Township Board, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Hill, Schroeder & Co.

CERTIFIED PUBLIC ACCOUNTANTS
Petoskey, Michigan

ST. IGNACE TOWNSHIP
Schedule of Expenditures of Federal Awards
For the Year Ended March 31, 2005

Federal Grantor Pass-through Grantor Program Title	Federal CFDA Number	Federal Expenditures
U.S. Department of Agriculture		
Direct Program:		
Water and Waste Disposal Systems for Rural Communities	10.760	\$ 1,498,200
Pass-through program from Michigan Department of Environmental Quality:		
Water and Waste Disposal Systems for Rural Communities	10.760	152,190
Pass-through program from Mackinac County:		
Schools and Road - Grants to States	10.665	<u>17,223</u>
Total expenditures of Federal Awards		<u><u>\$ 1,667,613</u></u>

NOTE – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the Federal grant activity of St. Ignace Township and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

**ST. IGNACE TOWNSHIP
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended March 31, 2005**

Finding/Noncompliance

There was no audit in prior year.

ST. IGNACE TOWNSHIP
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended March 31, 2005

Summary of Audit Results

1. St. Ignace Township has received an unqualified opinion on its financial statements.
2. We noted no matters in St. Ignace Township's internal control structure which we considered to be reportable conditions.
3. We noted no noncompliance that would be material to the financial statements.
4. We noted no matters in St. Ignace Township's internal control over its major program which we consider to be reportable conditions.
5. St. Ignace Township has received an unqualified opinion on compliance for its major program, Water and Waste Disposal Systems for Rural Communities.
6. We noted no audit findings required to be reported under Section 510 (a) of OMB Circular A-133.
7. The program tested as a major program was the Water and Waste Disposal Systems for Rural Communities.
8. The threshold used for distinguishing between Type A and B programs was \$300,000.
9. St. Ignace Township did not qualify as a low-risk auditee.

Findings and Questions Costs

We noted no material findings, or questioned costs.